

Message Text

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PAGE 01 EC BRU 04519 211709Z

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SUBJECT: EC FINANCE MINISTERS COUNCIL, MAY 20, 1975: HIGHLIGHTS

REF: BRUSSELS 3437 AND 3680

1. BEGIN SUMMARY: THE EC FINANCE MINISTERS COUNCIL MET IN BRUSSELS ON MAY 20. DISCUSSIONS FOCUSED ON THE RETURN OF THE FRENCH FRANC TO THE SNAKE (REPORTED SEPTELS). THE MINISTERS ALSO DISCUSSED PREPARATIONS FOR THE FORTHCOMING IMF INTERIM COMMITTEE MEETING IN PARIS. ALL BUT THE FRENCH AGREED ON A COMPROMISE BETWEEN THEIR POSITIONS AND THAT OF THE UNITED STATES WITH REGARD TO GOLD AND EXCHANGE RATE ARRANGEMENTS. ALL MEMBER STATES HAVE AGREED TO THE EC PROPOSED ALLOCATION OF IMF QUOTAS (SEE REFTELS). THE ADMISSION OF THE SWISS FRANC INTO THE SNAKE WAS DISCUSSED BUT FURTHER CONSIDERATION WAS POSTPONED UNTIL JUNE 16. IRISH FINANCE MINISTER RYAN REPORTED ON HIS TALKS WITH TREASURY SECRETARY SIMON AND OTHERS IN WASHINGTON. EC COMMISSION VICE PRESIDENT HAERKAMP GAVE A STATUS REPORT ON THE EC COMMON BORROWING FACILITY. THE FRENCH REJECTED THE PROPOSAL THAT THE EC ADHERE TO THE OECD TELECOMMUNICATIONS SECTORAL AGREEMENT.

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PAGE 02 EC BRU 04519 211709Z

END SUMMARY.

2. IMF INTERIM COMMITTEE MEETING: THE EC-NINE AGREED ON THE EC PROPOSED ALLOCATION OF IMF QUOTAS AS REPORTED IN THE REFTEL. AT AN OFF-THE-RECORD PRESS BRIEFING FOLLOWING THE COUNCIL, UK CHANCELLOR HEALEY SAID THE UNITED STATES WAS THE "MAIN PROBLEM" WITH REGARD TO QUOTA ALLOCATIONS. HE THOUGHT THE MATTER WOULD BE RESOLVED IN PARIS, WITH THE US FINALLY AGREEING TO A REDUCTION IN ITS QUOTA PROVIDED THAT THE IMF ARTICLES WERE CHANGED SO THAT AN 85 PERCENT MAJORITY OF THE TOTAL VOTING POWER WAS REQUIRED FOR ALL BOARD DECISIONS.

3. WITH THE EXCEPTION OF FRANCE, ALL EC MEMBER STATES AGREED ON A PROPOSED COMPROMISE TO COLLABORATE WITH THE IMF ON GOLD POLICIES AND ON EXCHANGE RATE ARRANGEMENTS. IN THE SAME OFF-THE-RECORD PRESS BRIEFING, HEALEY SAID THAT THESE ISSUES SHOULD NOW BE RESOLVED BILATERALLY BETWEEN FRANCE AND THE UNITED STATES AND THAT THE EIGHT WOULD STAND READY TO OFFER THEIR COMPROMISE PROPOSALS, WHICH HE WAS CONFIDENT THE UNITED STATES WOULD FIND ACCEPTABLE, AT AN OPPORTUNE MOMENT. HEALEY INDICATED HE THOUGHT BOTH OF THESE ISSUES WOULD BE DISCUSSED BY FRANCE AND THE US ON THE FRINGES OF THE OECD MINISTERIAL IN PARIS MAY 28-29.

4. RYAN-SIMON MEETING AND REFLATION: AT THE MINISTERS' RESTRICTED LUNCHEON PRIOR TO THE COUNCIL SESSION, IRISH FINANCE MINISTER RYAN REPORTED ON HIS RECENT DISCUSSION WITH TREASURY SECRETARY SIMON AND OTHER US OFFICIALS. THOSE PRELIMINARY REACTIONS TO RYAN'S BRIEFING WHICH WE HAVE OBTAINED INDICATE THAT THE EUROPEANS ARE NOT AS CONFIDENT AS US OFFICIALS REGARDING REPORTED PREDICTIONS OF US ECONOMIC RECOVERY IN THE NEAR TERM. ON REFLATION IN GENERAL, CHANCELLOR HEALEY REPORTED CONSIDERABLE DOUBT ON THE PART OF GERMANY AND OTHER EC MEMBER STATES ON EUROPEAN ECONOMIC PROSPECTS. FOR EXAMPLE, THE GERMANS, 43:3,5 3**945 TOWARD REFLATION MIGHT BE OFFSET BY "THE DRASTIC FALL IN THEIR EXPORTS." HEALEY AND COUNCIL SECRETARIAT SOURCES HAVE TOLD US THAT THE MINISTERS URGED GERMAN FINANCE MINISTER APEL TO CONSIDER FURTHER REFLATIONARY MEASURES.

5. SWISS FRANC ENTRY IN THE SNAKE: BECAUSE OF THE FOCUS ON FRENCH ENTRY INTO THE SNAKE, THE QUESTION OF SWISS ENTRY RECEIVED COMPARATIVELY LITTLE ATTENTION AT THIS COUNCIL. THE EC CENTRAL LIMITED OFFICIAL USE
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PAGE 03 EC BRU 04519 211709Z

BANKERS, HOWEVER, DID PRONOUNCE THEMSELVES "FULLY SATISFIED" AS A RESULT OF THEIR DISCUSSIONS WITH THE SWISS WITH REGARD TO THE TECHNICAL DETAILS OF SWISS ENTRY. FURTHER DISCUSSION IS TO TAKE PLACE ON JUNE 16, ALTHOUGH THE QUESTION OF THE REENTRY OF THE FRENCH FRANC MAY CAUSE THE TIMETABLE FOR DISCUSSIONS WITH THE SWISS TO SLIP, ESPECIALLY IF THE SNAKE IS SIGNIFICANTLY ALTERED BY THE NEGOTIATIONS LEADING TO THE FRENCH RETURN. SPEAKING WITH A MISSION OFFICER AFTER THE COUNCIL SESSION, BELGIAN FINANCE MINISTER DECLERCQ SAID THE FRENCH DECISION TO REJOIN THE SNAKE HAS CAUSED BELGIUM TO REEVALUATE ITS POSITION WITH REGARD TO

SWISS ENTRY. FRENCH REENTRY, SAID DECLERCQ, WOULD REMOVE ONE OF THE TWO BELGIAN OBJECTIONS TO SWISS ASSOCIATION WITH THE SNAKE, AND HE EXPRESSED CONFIDENCE THAT THE REMAINING DIFFICULTY "WOULD BE WORKED OUT."

6. EC COMMON BORROWING FACILITY: EC COMMISSION VICE PRESIDENT HAFERKAMP REVIEWED HIS RECENT ACTIVITIES WITH REGARD TO THE COMMON BORROWING FACILITY. A NUMBER OF MEMBER STATES HAVE INDICATED "INTEREST" IN THE FACILITY ALTHOUGH NONE HAS AS YET MADE A FORMAL APPLICATION. HAFERKAMP IS TO CONTINUE HIS EXPLORATORY DISCUSSIONS WITH POTENTIAL LENDERS AND IS EXPECTED TO VISIT THE MIDEAST IN EARLY JUNE. IN AN OFF-THE-RECORD BRIEFING FOR GERMAN CORRESPONDENTS FOLLOWING THE COUNCIL SESSION, GERMAN FINANCE MINISTER APEL STRESSED THAT NO COMMITMENT TO BORROW FUNDS WOULD BE MADE BY THE EC UNTIL A FORMAL APPLICATION FROM ONE OR MORE MEMBER STATES HAD BEEN RECEIVED AND SCRUTINIZED TO INSURE THAT IT MET THE CRITERIA ESTABLISHED FOR THE FACILITY.

7. OECD SECTORAL AGREEMENT: FOURCADE BLOCKED A COMMISSION PROPOSAL THAT THE EC ADHERE TO THE OECD TELECOMMUNICATIONS SECTORAL AGREEMENT WHICH WOULD LIMIT EXPORT CREDIT FINANCING FOR TELECOMMUNICATION FACILITIES. THE COUNCIL REFERRED THIS MATTER BACK

TO THE COMMITTEE OF PERMANENT REPRESENTATIVES (COREPER).

8. MISCELLANEOUS: THE COUNCIL ADOPTED WITHOUT DISCUSSION THE SECOND AND THIRD DRAFT DIRECTIVES ON EC PHARMACEUTICAL HARMONIZATION AND A DECISION SETTING UP A PHARMACEUTICAL COMMITTEE. THESE MEASURES WERE AGREED UPON AT THE COUNCIL MEETING IN FEBRUARY BUT FORMAL COUNCIL APPROVAL WAS NOT REACHED AT THAT TIME BECAUSE OF THE ABSENCE OF A GOVERNMENT IN
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PAGE 04 EC BRU 04519 211709Z

DENMARK. (SEE EC BRUSSELS 1432).

9. THREE AGRICULTURAL TRACTOR STANDARDS WERE ALSO ADOPTED WITHOUT DISCUSSION. THESE WERE FOR: A) STEERING EQUIPMENT;
B) THE ELECTRICAL CONNECTION FOR SUPPLYING TRAILER LIGHTING AND LIGHT SIGNALLING EQUIPMENT; C) THE SUSPENSION OF RADIO INTERFERENCE. A DIRECTIVE ON AEROSOL DISPENSERS WAS ALSO ADOPTED. GREENWALD

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